

Washington, D.C. February 20, 2003
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Administrator A.J. Yates
Country of Origin Labeling Program
USDA Agricultural Marketing Service
Room 2092-S, Mail Stop 0249
1400 Independence Avenue SW
Washington, D.C. 20250-0249

Re: Comments on Notice of Request for Emergency Approval for New Information Collection

Dear Administrator Yates:

This submission is in response to the request by the U.S. Department of Agriculture, Agricultural Marketing Service, for comments on its analysis of the burden of recordkeeping (67 FR 225, 70205-70206, November 21, 2002) pursuant to the voluntary country of origin labeling guidelines mandated by the recently enacted *Farm Security and Rural Investment Act of 2002*.

We understand that the subject of these comments is mainly to address the issue of the costs of recordkeeping to fulfill the voluntary guidelines, and we look forward to commenting separately on the voluntary guidelines themselves by April 9, 2003 (67FR198, 63367, October 22, 2002).

As a threshold matter we would like to repeat that the Government of Mexico is opposed to country of origin labeling because it imposes an unnecessary, burdensome, complicated and expensive requirement on producers, exporters, importers and retailers. We are very concerned with the negative impact that the country of origin labeling provisions will have on international trade and request that you implement the new requirements in a way that has the least possible impact on international trade. As you know, the United States has long requested that countries to which U.S. farmers and ranchers export not impose country of origin labeling requirements on U.S. products. In this light, we think it appropriate that these regulations be implemented in a way that is in accord with the spirit of international agreements such as NAFTA and the WTO. Mexico believes that the burden of the U.S. requirement is potentially a non tariff barrier inconsistent with international agreements in NAFTA and WTO.

With regard to the specific issue of the cost of recordkeeping, Mexico submits that the cost estimate of approximately \$2 billion is a very conservative and low estimate of the true costs. As you well know, implementing this provision is a complicated process and will require producers, exporters, importers and retailers to establish reliable tracking and verification systems. Once the requirements become clear, it will take years for these systems to be put in place. For example, some exports of cattle occur when the animals are up to eight years old and tracking systems for these animals will, therefore, not be in place by 2004.

In addition to the direct costs of recordkeeping, there are additional very significant indirect costs. The segregation that will be required for adequate recordkeeping and the requirement for labeling some products so as to indicate the proportion that is U.S. produced versus foreign produced will be very trade distortive. In economic terms, the most efficient producer could be penalized because of this regulation--leading to large annual costs. For example, some distributors could decide to deal with only U.S. or only foreign produced product in order to avoid the recordkeeping burdens of multiple sources.



Mexico would also object to a recordkeeping system that resulted in a requirement that products be labeled "origin Mexico" when the product has been further produced (such as cattle finished in the United States) outside of Mexico where Mexico no longer has control over the quality of the product.

Mexico is strongly opposed to any country of origin system. Mexico agrees that the accompanying recordkeeping system would be extremely expensive for U.S. and foreign producers, suppliers, exporters, importers and retailers alike. Mexico believes that the \$2 billion in direct cost estimate is very low and that direct costs will be much higher. In addition, the inclusion of indirect costs in the cost estimate should be considered.

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In conclusion, we find that this legislation and voluntary regulations raise numerous questions regarding the practicality of implementation and we request that the entire process be reconsidered by the Administration and the U.S. Congress. We believe that the requirements will be expensive for consumers and will result in significant AMS resources being diverted to this exercise. We also ask that you keep in mind the impact of these actions on international trade and U.S. obligations (particularly with regard to non tariff barriers) and leadership in international fora such as NAFTA and WTO.

Sincerely,

Enrique Lobo
Agricultural Minister

Embassy of Mexico at the United States of America

Cc:
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